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UNOPS: FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

UNOPS REVISED BUDGET ESTIMATES FOR THE BIENNIUM 1994-1995 AND BUDGET ESTIMATES FOR THE BIENNIUM 1996-1997

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of the United Nations Office of Project Services (UNOPS) on the revised budget estimates for the biennium 1994-1995 and estimates for the biennium 1996-1997 (DP/1995/60). During its consideration of this item, the Committee met with the Executive Director and his colleagues, who provided additional information.

2. In its decision 48/501 of 19 September 1994, the General Assembly decided that the Office of Project Services should become a separate and identifiable entity in accordance with the United Nations Development Programme (UNDP) Executive Board decision 94/12 of 9 June 1994. Furthermore, as authorized in Executive Board decision 94/32 of 10 October 1994, UNOPS became operational, as a self-financing entity, within the United Nations development system on 1 January 1995.

3. As authorized by the Executive Board in its decision 94/32, paragraph 6, the Executive Director submits biennial budget estimates for UNOPS separately from those of UNDP. The Advisory Committee notes from paragraph 4 of DP/1995/60 that the revised UNOPS budget estimates for the 1994-1995 biennium and the estimates for 1996-1997 were reviewed and endorsed by the Management Coordination Committee.

4. In its decision 94/29, the Executive Board approved the 1994-1995 UNOPS budget in the amount of $68,226,200, comprising $31,126,200 from UNDP general

resources and $37,100,000 from other sources. The approved budget was based on income estimates of $68,450,000, comprising support cost income of $62,250,000 from estimated programme delivery of $830 million and an additional income estimate of $6.2 million from services provided to the International Fund for Agricultural Development (IFAD) (see DP/1994/57, annex 2).

5. As indicated in table 1 of document DP/1995/60, revised estimates of income for 1994-1995 amount to $59,254,000, based on estimates of support cost income of $53,475,000 from estimated programme delivery of $788,916,000 and an additional income estimate of $5,779,000 from services provided to IFAD. Upon request, the Advisory Committee was furnished with a schedule of service rates charged by UNOPS in 1994 (see annex to the present report).

6. The Advisory Committee welcomes the Financial Management Model of UNOPS by which administrative expenditures are planned and monitored based on a continuous review of the demand for services, as well as the actual programme delivery figures and resulting support income earned. The Committee notes from paragraph 15 to 18 that, based on revised estimates of support cost income, the Executive Director has implemented a flexible post management system. Under this system, the Committee was informed that vacant posts are filled only when necessary and justifiable, and specialists, for whom no long-term career prospects are envisaged, are hired on the basis of contracts for appointments of limited duration.

7. As shown in table 3(a), the UNOPS staffing table for 1994-1995 comprises 244 established posts (91 Professional and 153 General Service posts). As at 16 June 1995, of those posts, 204 were filled by regular staff, 7 by specialists hired using contracts for appointments of limited duration in lieu of filling existing posts and 5 by prospective staff in the process of recruitment and 28 posts were vacant. The Advisory Committee was informed that by maintaining high vacancy rates UNOPS was able to maintain its administrative costs within the support income realized and to avoid a large deficit in 1994.

8. The Advisory Committee notes from paragraph 18 that the current number of established posts is in excess of the actual needs of UNOPS and that the Executive Director will conduct an overall review of the established posts in the fall of 1995 to determine which posts could be abolished and submit a proposal to the Executive Board in early 1996.

9. With reference to the high level of actual expenditure for temporary assistance in comparison to the amounts budgeted, the Advisory Committee was informed that UNOPS currently charged against the provisions for general temporary assistance the costs of personnel on short-term contracts. In the view of the Committee, UNOPS should charge the costs of such personnel against the provision for posts in the staffing table of the Organization. In general, the Committee believes that the provision and use of funds for general temporary assistance should be limited to those situations relating to temporary replacement of personnel on special short-term leave (i.e., extended sick leave, maternity leave, etc.) in accordance with the terms of the United Nations Staff Rules.

10. With reference to the total value of the portfolio of projects, the Advisory Committee notes from paragraphs 9 and 10 that the Executive Director does not expect any significant growth in the near term; it would appear, therefore, that UNOPS has reached a plateau, with an annual value of approximately $1 billion for its portfolio of projects during the biennium 1996-1997, as in 1994-1995. The Committee further notes that the estimated annual "peak" budgets are approximately 65 per cent of the total value of the portfolio. For the biennium 1996-1997, as shown in table 1(a), the total estimated budgets at "peak" level amount to $1,350,411 ($676,758 for 1996 and $673,653 for 1997).

11. With regard to programme delivery in the biennium 1996-1997, the Advisory Committee notes from paragraph 10 and table 1(a) that the Executive Director estimates: (a) total programme delivery at $810,247,000 based on a rate of delivery of approximately 60 per cent of the budgets at "peak" level for each year of the biennium ($406,055,000 for 1996 and $404,192,000 for 1997); and (b) support cost income at $61,519,000, comprising $54,919,000 from programme delivery and an additional income of $6,600,000 from services provided to IFAD.

12. As shown in table 2, the Executive Director proposes an administrative budget of $61,428,900 for 1996-1997. The Advisory Committee points out that support income and administrative expenditure for the period almost match. The Advisory Committee was informed that administrative expenditures would be reviewed on a monthly basis and, in the light of the projects accepted during the biennium 1996-1997, reductions in administrative costs including staff costs would be implemented in consultation with the Management Coordination Committee. The Advisory Committee was further informed that in order to provide personnel incentives and improve programme delivery, UNOPS was presently formulating a reward policy based on staff performance. A reward would be granted to a staff member in the form of bonus, as was currently done in international organizations that provided competitive services similar to those provided by UNOPS. The Committee requests that in his next budget submission, the Executive Director indicate the results of this policy.

13. The Advisory Committee notes from table 2 that reimbursement to UNDP for central services is calculated on the basis of a flat rate of 14 per cent of the administrative expenditure incurred by UNOPS. The Committee recalls that in paragraph 11 of its report DP/1994/57, the Committee recommended that UNDP and UNOPS should review the methodology of estimating reimbursement costs for services. The Committee points out that UNOPS should receive the best value for money for the administrative services provided by UNDP or, without duplicating existing infrastructures, UNOPS should explore the possibility of setting up in-house services for those that could be rendered in a more economical manner.

Annex

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)
PROJECT EXPENDITURES, RATES AND INCOME (SUPPORT COSTS AND MSA FEES)
FOR THE YEAR ENDED 31 DECEMBER 1994

SOURCE OF FUND	EXPENDITURE	INCOME RATE	INCOME AMOUNT
UNDP			
OLD REGIME	67,206,022	11.0%	
NEW REGIME	81,201,078	AOS	
G C C C	775,672	3.5%	
Sub-total	**149,182,772** \1		**13,763,627**
TRUST FUNDS			
GLOBAL ENVIRONMENTAL FACILITY	24,351,793	8.0%	
UN DRUG CONTROL PROGRAMME	24,312,155	7.5%	
UN CAPITAL DEVELOPMENT FUND	21,538,562	AOS/ 5.0%	
PROGRAMME ASSISTANCE TO THE PALESTINIAN PEOPLE (PAPP)	12,043,725	AOS	
CAPACITY "21"	6,645,196	AOS	
UN FOR SUDANO-SAHELIAN ACTIVITIES	2,746,041	AOS/ 8.0%	
O T H E R S	18,477,775	AOS & VARIOUS RATES	
Sub-total	**110,115,247** \1		**6,622,359**
M S A			
WORLD BANK	45,764,135	PER AGREEMENT	
INTERNATIONAL DEVELOPMENT BANK	9,184,604	do-	
BILATERAL - JAPAN	73,622,468	do-	
BILATERAL - ITALY	4,343,536	do-	
OTHER MSAs	10,871,251	do-	
Sub-total	**143,785,994**		**5,862,318**
IFAD BILLINGS	**0** \2		**2,779,000**
TOTAL UNDP,TRUST FUNDS & MSAs	**403,084,013**		
ADD: DEFERRED CHARGES	**1,430,611**		
TOTAL ALL SOURCES OF FUNDS	**404,514,624**		
LESS: PALESTINIAN PROGRAMME (PAPP) PROJECT EXPENDITURES			
S P R	(2,766,155)		
TRUST FUNDS	(12,043,725)		
MSA s	(2,485,978)		
Sub-total	**(17,295,858)** \3		
GRAND TOTAL NET OF PAPP	**387,218,766**		**29,027,304**

\1 - INCLUDES EXPENDITURES AS ASSOCIATED OR COOPERATING AGENCY

UNDP	$11,775,589
TRUST FUNDS	3,706,328

\2 - THESE ARE BILLINGS TO IFAD FOR SERVICES RENDERED BY UNOPS FOR LOAN ADMINISTRATION & PROJECT SUPERVISION OF THEIR PROJECTS. THE IFAD LOAN DRAWDOWNS, WHICH ARE NOT PART OF UNOPS DELIVERY (AMOUNTED TO $89 MILLION IN 1994), ARE REVIEWED AND AUTHORIZED FOR PAYMENT BY UNOPS, WITH ACTUAL PAYMENT EFFECTED BY IFAD.

\3 - THESE EXPENDITURES ARE INCLUDED ABOVE UNDER VARIOUS SOURCES OF FUNDS. SERVICES TO THESE PROJECTS ARE LIMITED TO ACCOUNTING AND FINANCIAL REPORTING ONLY, FOR WHICH UNOPS RECEIVES A TOTAL OF $50,000 PER YEAR COMPENSATION.